

# Unit Planning Guide

## 6

### UNIT PACING CHART

Unit 1		Chapter 18	Chapter 19	Chapter 20	Chapter 21	Chapter 22
Day 1	Unit Opener, Reading Social Studies	Chapter Opener, Section 1	Chapter Opener, Section 1	Chapter Opener, Section 1	Chapter Opener, Section 1	Chapter Opener, Section 1
Day 2		Section 2, Financial Literacy	Section 2, Financial Literacy	Section 2, Financial Literacy	Section 2, Financial Literacy	Section 2, Issues to Debate
Day 3		Chapter Review, Visual Summary	Section 2, Landmark Supreme Court Case Studies	Section 3	Section 3	Section 3, Chapter Review, Visual Summary
Day 4		Chapter Assessment	Chapter Review, Visual Summary	Section 4, Chapter Review, Visual Summary	Section 4, Chapter Review, Visual Summary	Chapter Assessment
Day 5			Chapter Assessment	Chapter Assessment	Chapter Assessment	Analyzing Primary Sources
Day 5					TIME Reports	



### Teacher to Teacher



**Tony Pottorff,**  
Columbus East  
High School,  
Columbus,  
Indiana

On the first day of class I have students listen to the song "If I Had \$1,000,000". They have to listen to the song and make a list of what the singers say they would purchase. I then ask the students to create their own \$1,000,000 list. After a few minutes, I ask the students to create a \$10,000 list using the items from their previous list. Following that, students create a \$1000 list, again using the original list as inspiration.

After some discussion of what students kept and eliminated from their lists at each step of the process, I then ask if students would have any trouble creating a \$10,000,000 list, a \$100,000,000 list, and so on. We then launch into a discussion of unlimited wants and how we try to meet them in a world of scarcity.

## Author Note



### Dear Social Studies Teacher:

In college, it may surprise you to learn that there was a time when I was not very interested in economics—and this is coming from the *economics* author of your book! All of that changed when I visited the city of Budapest, Hungary, during the height of the Cold War in the early 1970s.

I was on a study abroad program, and our professor had just taken us to a nearby park that overlooked the city. It was a cold mid-December evening, several inches of snow had just fallen, and a full moon lit up the landscape. By all accounts, the view should have been beautiful, even spectacular perhaps—but it wasn't.

Instead, the landscape was cold, alien, and downright dreary. Even now I can remember asking myself: What is wrong with this scene? Why is it so depressing? Then it dawned on me: *there was no color in the landscape*. Here was a major European city, but everything was in shades black and white. Instead of looking out at a sea of bright red, green, and blue lights at Christmas, all I saw were the dreary white streetlights and faded yellow reflections coming through the windows from inside the buildings and apartments.

Then I remembered what my economics teacher had told me: Hungary had a command economy where consumer goods were so scarce that people had to wait in line to make a purchase. People even had to get on a waiting list to buy a car, and sometimes they had to wait several years before one became available. Outdoor advertising as we know it—with the brightly colored lights that are used to advertise products and attract consumers—was unheard of because of the type of economy that Hungary had.

There were many other differences as well, but for the first time in my life I understood that the economy—and even the study of economics—actually matters.

*Gary Clayton*  
Author



## Unit Objectives

After studying this unit, students will be able to:

- Distinguish between wants and needs and identify how scarcity forces people to make economic choices.
- Identify how democratic capitalism and free enterprise work in the American economy.
- Relate personal financial choices and decisions to principles of economics.
- Explain the relationship between demand and supply in an economic system.
- Analyze and comprehend the relationship between management and labor.

## Did You Know?

The National Council on Economic Education (NCEE) sponsors a summer institute for students entering their senior year in high school. At this institute—EntrePrep—young people learn the basics of starting a business, or *entrepreneurship*. During their senior year, students then become nonpaid interns in start-up firms. They attend educational seminars and make economic recommendations to improve the firm's business.

# The Economy and the Individual



Young women making individual economic choices at a California shopping mall

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## Activity: Launching the Unit

**The Economy and the Individual Ask:** **What part does economics play in education?** (Public schools are supported primarily with money from local and state taxes. Since tax monies are limited, school districts must decide how to use the money available to them. Those decisions include the number of teachers, administrators, and other school personnel. Districts must decide what to spend on hands-on learning centers, such as auto

shops. They must find monies to erect and maintain school buildings. Sometimes economic decisions eliminate extra- and cocurricular activities. Some students may want more money spent on music programs, while others might want expanded athletic, debate, or drama programs. Only through a careful study of wants, needs, and available resources can districts make sound economic decisions.) **OL**

★ **Chapter 18** What Is Economics?

★ **Chapter 19** The American Economy

★ **Chapter 20** Personal Finance and Economics

★ **Chapter 21** Demand and Supply

★ **Chapter 22** Business and Labor

## Be An Active Citizen



What do you think economics is? Describe how, in your opinion, economics affects you. After you complete your study of Unit 6, compare your initial ideas with the new information you learn.

## Be an Active Citizen



How well do your students understand the economic decisions they make every day? Ask students to estimate and write down the cost of the clothes they are wearing; the school supplies they have in their backpacks, desks, or lockers; the food they have eaten that day; the energy costs of transporting them to and from school; and the musical or sports equipment they will use at school that day. Then have students list five wants or needs they could not afford and assign cost values to these items. Ask students to create posters to illustrate these economic decisions in their lives. Encourage them to be creative in illustrating each category of “haves” and each of “have nots.” Display and discuss the posters.

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## More About the Photo

**Visual Literacy** What economic choices might these girls have considered? Every day, American shoppers using their own criteria select from several brands of the same item. Some brands may offer extra features or be made of better materials. Product prices may vary; some might reflect a discounted, or sale, price. Shoppers also

frequently consider the manufacturers’ reputations. Some may be known for making products that last longer or work better. The girls may also ask themselves, *Do I need this, or do I simply want it? Am I willing to go without something else so that I can buy it?* Shopping can be fun and educational, too!



## Why Comparing and Contrasting Is Important

Making comparisons is an automatic process, even in early childhood. While a young child might compare the size of his scoop of ice cream to that of a sibling, a teen might compare his or her exam score to a classmate's, and an adult might compare his or her wage statement to a coworker's. By comparing and contrasting, people assess how things are similar and how they are different. Based on these comparisons, it is possible to assess which is better, more difficult, more complete, faster, and so on. Comparing and contrasting helps students make better choices and more completely understand ideas, objects, and options presented to them.

## 1 Learn It!

Ask students to draw a Venn diagram. As they recall a recent shopping trip, have students describe something they purchased in the left circle of the diagram. In the right circle, have students describe something they considered but did not buy. Have students list ways in which the items were different in their respective circles. Similarities between the two items should be written in the overlap section of the diagram. As a class, discuss how comparing and contrasting helped students choose the items they purchased. **OL**

## Comparing and Contrasting

### 1 Learn It!

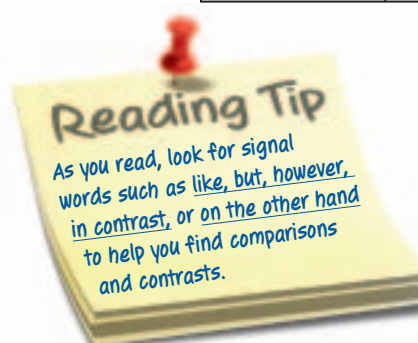
When you compare people, things, or ideas you show the similarities among them. When you contrast these things you point out their differences.

- Read the following paragraph. Note how the writer compares fixed costs to variable costs.
- How does the writer contrast fixed costs to variable costs?

The first kind of cost is fixed costs—costs, or expenses, that are the same no matter how many units of a good are produced. Mortgage payments and property taxes are two examples of fixed costs. It makes no difference whether your company produces one bicycle helmet or a very large number. Your fixed costs, such as your mortgage and property taxes, remain the same. . . . Another kind of cost is variable costs. Variable costs are expenses that change with the number of items produced. Wages and raw materials are examples of variable costs.

—from page 506

People, Things, or Ideas	Compare	Contrast
Fixed costs and variable costs	*Both are expenses	*Fixed costs remain the same *Variable costs change with the number of items produced



**Comparing and Contrasting** Students compare and contrast every day. Divide students into groups. List the following real-life school situations on the board: *passing through the lunch line, registering for*

*classes, selecting what to wear to school.* Have students volunteer questions that would help them use comparing and contrasting to make a decision in each situation. **BL**

## 2 Practice It!

Read the following sentences from this unit that compare and contrast microeconomics to macroeconomics. Draw a chart like the one shown below.

... economics is divided into two branches. In microeconomics, economists look at the small picture. They study the behavior and decision making of small (the meaning of the prefix *micro-*) units such as individuals and businesses. On the other hand, macroeconomics looks at the big (the meaning of the prefix *macro-*) picture. It deals with the economy as a whole and decision making by large units such as governments or whole industries or societies.

—from page 500

People, Things, or Ideas	Compare	Contrast
Microeconomics		
Macroeconomics		

### Read to Write Activity

Read the section titled “Circular Flow of Economic Activity” in Chapter 19, Section 2. Choose any two of the sectors (consumer, business, government, or foreign) to compare and contrast. Once you decide which two sectors you will write about, jot down facts about each and write a few sentences to show how they compare or contrast.

## 2 Practice It!

**Compare:** both are branches of economics; study economic decision making

**Contrast:** microeconomics looks at behavior on a small scale, such as individuals and businesses; macroeconomics looks at the economy as a whole on a large scale, such as governments or whole industries or societies

## 3 Apply It!

Bring to class five sets of three or four newspaper or magazine ads that promote different cereals, chewing gums, tires, or other consumer goods. Organize students into five groups, giving each group a set of ads for one type of product. Ask student groups to compare and contrast ad information to decide which products they would most likely purchase. **OL**

## 3 Apply It!

As you read look for people, things, or ideas that you can compare and contrast in:

- Chapter 20, Section 1
- Chapter 21, Section 2



Unit 6 495

### Reading Strategy

### Read to Write

**Writing Product Reviews** When writing comparisons such as product reviews, students first need to determine which product features will be compared and contrasted. Have students write a review of several brands of a product, such as cosmetics, pizza, shoes, sporting gear, and so on.

Explain that the reviews can be organized by product or by feature. Have students exchange their reviews with a partner and comment on how well their partners used comparing and contrasting to evaluate the products. **OL**

# Chapter Planning Guide

# 18

## Key to Ability Levels

**BL** Below level

**OL** On level

**AL** Above level

**ELL** English  
Language Learners

## Key to Teaching Resources



Print Material



DVD



CD-ROM



Transparency

Levels				Resources		Chapter Opener	Section 1	Section 2	Chapter Assess
BL	OL	AL	ELL						
					<b>FOCUS</b>				
BL	OL	AL	ELL		Daily Focus Skills Transparencies		18-1	18-2	
					<b>TEACH</b>				
BL	OL		ELL		Reading Essentials and Note-Taking Guide*		p. 168	p. 171	
	OL	AL			Economics Activity, URB		p. 5		
BL	OL	AL	ELL		Content Vocabulary Activity, URB*	p. 21	p. 21	p. 21	
BL	OL	AL	ELL		Academic Vocabulary Activity, URB	p. 23	p. 23	p. 23	
	OL				Biography Activity, URB			p. 25	
BL	OL	AL	ELL		Writing Skills Activity, URB		p. 27		
	OL	AL			Critical Thinking Skills Activity, URB		p. 29	p. 29	
BL	OL	AL	ELL		Chart, Graph, and Map Skills Activity, URB			p. 31	
BL	OL	AL	ELL		Differentiated Instruction, URB		p. 33	p. 33	
BL	OL	AL	ELL		School-to-Home Connection Activity, URB*	p. 35	p. 35	p. 35	
BL	OL		ELL		Guided Reading Activities, URB*		p. 39	p. 40	
BL	OL	AL	ELL		Writer's Guidebook	✓	✓	✓	✓
	OL	AL			Primary Source Document Library CD-ROM	✓	✓	✓	✓
BL	OL	AL	ELL		Vocabulary PuzzleMaker CD-ROM	✓	✓	✓	✓
BL	OL	AL	ELL		Daily Lecture & Discussion Notes (in Pres. Plus)		✓	✓	✓
BL	OL	AL	ELL		StudentWorks™ Plus DVD		✓	✓	✓
BL	OL	AL	ELL		Section Video Program		✓	✓	
BL	OL	AL	ELL		TIME Interpreting Political Cartoons Transp.			Ch. 18	
BL	OL	AL	ELL		Writing Process Transparencies	✓	✓	✓	✓

Note: Please refer to the *Unit Resource Book: The Economy and the Individual* for this chapter's URB materials.

\* Also available in Spanish



- Interactive Lesson Planner
- Interactive Teacher Edition
- Fully editable blackline masters
- Section Spotlight Videos Launch
- Differentiated Lesson Plans
- Printable reports of daily assignments
- Standards Tracking System

Levels				Resources		Chapter Opener	Section 1	Section 2	Chapter Assess
BL	OL	AL	ELL						
					<b>TEACH</b> <i>(continued)</i>				
<b>Teacher Resources</b>					Building Academic Vocabulary	✓	✓	✓	✓
					Strategies for Success	✓	✓	✓	✓
					Teacher's Guide to Differentiated Instruction	✓	✓	✓	✓
					Graph Tool CD-ROM	✓	✓	✓	✓
					Presentation Plus! DVD	✓	✓	✓	✓
					<b>ASSESS</b>				
BL	OL	AL	ELL		Quizzes and Tests*		p. 215	p. 216	p. 217
BL	OL	AL	ELL		Authentic Assessment with Rubrics			p. 22	
BL	OL	AL	ELL		Standardized Test Practice			p. 35	p. 35
BL	OL	AL	ELL		ExamView® Assessment Suite CD-ROM		18–1	18–2	Ch. 18
BL	OL	AL	ELL		Interactive Tutor Self-Assessment CD-ROM	✓	✓	✓	✓
					<b>CLOSE</b>				
BL			ELL		Reteaching Activity, URB*		p. 37	p. 37	
BL	OL		ELL		Reading and Study Skills Foldables™ Activity	p. 84		p. 85	
BL	OL	AL	ELL		Graphic Organizer Transparencies & Strategies	✓	✓	✓	✓



## Using StudentWorks™ Plus

## Read and Listen Simultaneously

### Technology Product

Glencoe's *StudentWorks™ Plus* CD-ROM contains everything your students need, including the complete Student Edition, text in audio, access to all student workbooks, and links to online activities and resources.

- Students can read chapters with Adobe Acrobat Reader software, which is opened automatically by the *StudentWorks™ Plus* program.
- The complete textbook is available with audio via the *StudentWorks™ Plus* CD-ROM.
- Students can read and listen simultaneously with page-by-page audio, which can improve content comprehension for all your students.
- Use this component with struggling readers or to emphasize an important concept.

### Objectives

Using *StudentWorks™ Plus* will help your students

- practice their reading skills;
- improve their listening comprehension.

### Steps

Provide students with the following information:

- Launch *StudentWorks™ Plus*.
- Select **Student Edition with Audio** from the launch screen.
- Use the bookmarks along the left side to navigate to the desired chapter or use the **Page Navigator** link in the bookmarks to link to the exact page number in the Student Edition.
- Click on the audio icon located on each page in the upper left corner to launch the audio.
- Read along with the audio.

## Civics ONLINE

	Student	Teacher	Parent
Beyond the Textbook	•	•	•
Chapter Overviews	•	•	•
Concepts in Motion	•		•
ePuzzles and Games	•		•
Glencoe Teaching Today		•	
Literature Connections		•	
Multi-Language Glossaries	•		•
Online Student Edition	•	•	•
Section Videos	•	•	•
Self-Check Quizzes	•		•
Student Web Activities	•		•
Study Central™	•		•
TIME Current Events	•		•
Vocabulary eFlashcards	•		•
Web Activity Lesson Plans		•	

### Glencoe Media Center

[glencoe.com](http://glencoe.com)

#### > Study-To-Go

- Vocabulary eFlashcards
- Self-Check Quizzes

#### > Audio/Video

- Student Edition Audio
- Spanish Summaries

## Reading List Generator CD-ROM

## BOOKLINK 3

Use this database to search more than 30,000 titles to create a customized reading list for your students.

- Reading lists can be organized by students' reading level, author, genre, theme, or area of interest.
- The database provides Degrees of Reading Power™ (DRP) and Lexile™ readability scores for all selections.
- A brief summary of each selection is included.

### Leveled reading suggestions for this chapter:

#### For students at a Grade 7 reading level:

- *China: A Study of an Economically Developing Country*, by Julia Waterlow

#### For students at a Grade 8 reading level:

- *The Great Depression and the New Deal: America's Economic Collapse and Recovery*, by Anne E. Schraff

#### For students at a Grade 9 reading level:

- *The New Freedom of the New Deal: 1913–1939*, by William Loren Katz

#### For students at a Grade 10 reading level:

- *Korea: A Story of an Economically Developing Country*, by Sung-Hoon Jung

#### For students at a Grade 11 reading level:

- *Small is Beautiful: Economics as if People Mattered*, by E.F. Schumacher

## READING SUPPORT FROM JAMESTOWN EDUCATION

- **Timed Readings Plus in Social Studies** helps students increase their reading rate and fluency while maintaining comprehension. The 400-word passages are similar to those found on state and national assessments.
- **Reading in the Content Area: Social Studies** concentrates on six essential reading skills that help students better comprehend what they read. The book includes 75 high-interest nonfiction passages written at increasing levels of difficulty.
- **Reading Social Studies** includes strategic reading instruction and vocabulary support in Social Studies content for both ELLs and native speakers of English.
- **Content Vocabulary Workout** (Grades 6–8) accelerates reading comprehension through focused vocabulary development. Social Studies content vocabulary comes from the glossaries of Glencoe's Middle School Social Studies texts. [www.jamestowneducation.com](http://www.jamestowneducation.com)

## KEY Teacher Wraparound

Use this key to help you identify the different types of prompts found in the Teacher Wraparound Edition.

**R** **Reading Strategies** activities help you teach reading skills and vocabulary.

**C** **Critical Thinking** strategies help students apply and extend what they have learned.

**D** **Differentiated Instruction** activities provide instruction for students learning to speak English, along with suggestions for teaching various types of learners.

**S** **Skill Practice** strategies help students practice historical analysis and geography skills.

**W** **Writing Support** activities provide writing opportunities to help students comprehend the text.

Teaching strategies and activities have been coded for ability level appropriateness.

**AL** Activities for students working above grade level

**OL** Activities for students working on grade level

**BL** Activities for students working below grade level

**ELL** Activities for English Language Learners



## Focus

### Why It Matters

**Ask:** How do consumers influence decisions made by producers? (Consumers have needs and wants. In order to sell their products, producers must identify what consumers need and want or, in other words, what they are willing to buy.)

### More About the Photo

**Visual Literacy** The American economic system, with its wealth of economic opportunities and choices, owes a great deal to an eighteenth-century economist named Adam Smith. In his *Wealth of Nations*, Smith explained that a large part of a nation's economic health depended on the skill, judgments, and efforts of its citizens to produce goods. Britain's efforts to limit what the colonies could produce or to whom they could sell their goods was a contributing factor in the American Revolution. Today, American businesses—small and large—produce and sell a wide variety of goods locally, nationally, and globally.

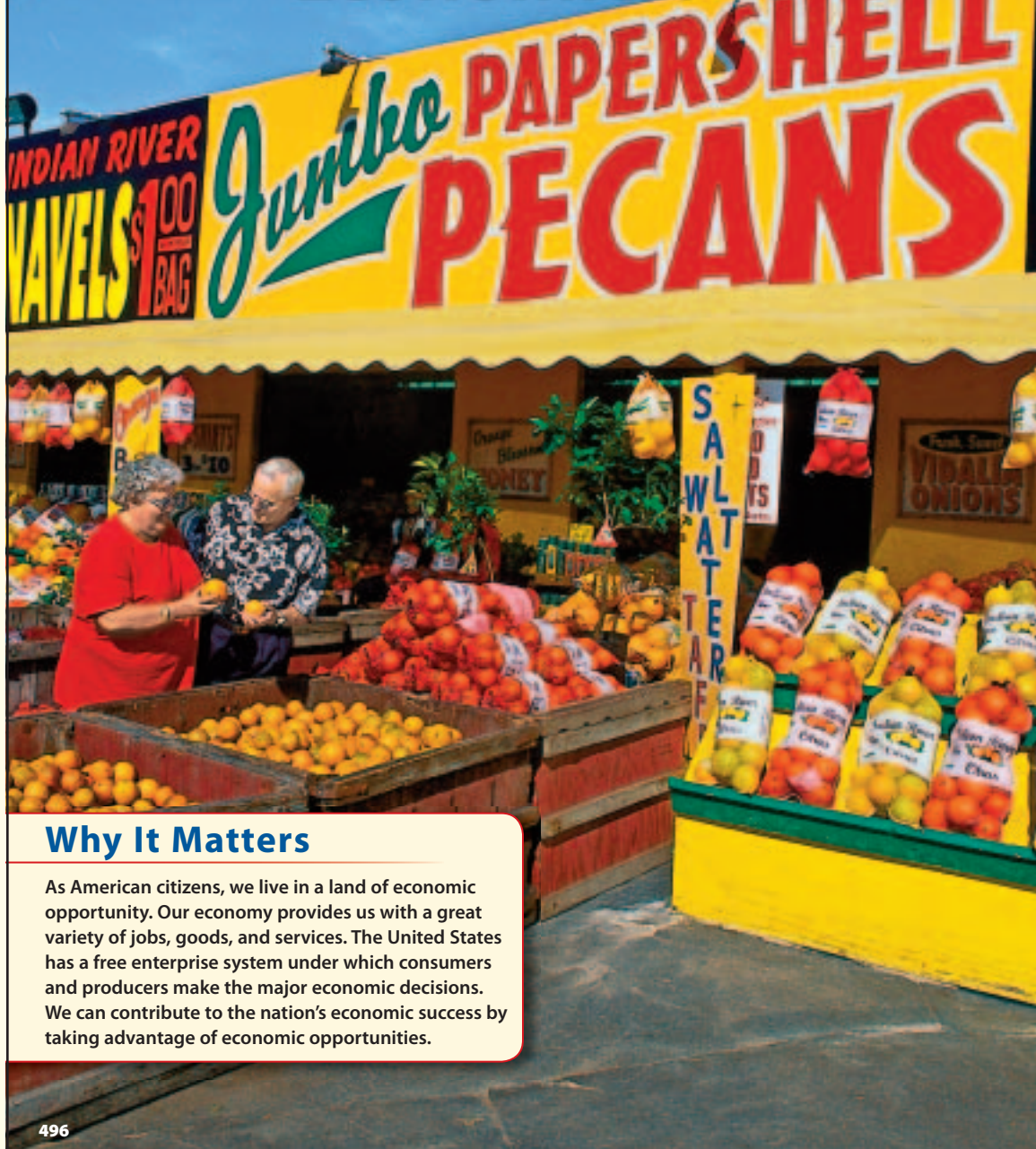
## Teach

**BIG Ideas** As you begin teaching each section, use these questions and activities to help students focus on the Big Ideas.

### Section 1

**How Economic Systems Work** **Ask:** How do limited resources affect the decisions you make? (Answers may include the ideas that limited money determines what students purchase or do, that limited time forces them to choose how

## What Is Economics?



### Why It Matters

As American citizens, we live in a land of economic opportunity. Our economy provides us with a great variety of jobs, goods, and services. The United States has a free enterprise system under which consumers and producers make the major economic decisions. We can contribute to the nation's economic success by taking advantage of economic opportunities.

their days are organized, and that limited access to transportation determines their recreational activities and sites.) Point out that in Section 1, students will analyze how scarcity, or limited resources, affects economic decisions made by individuals, businesses, and nations. **OL**

### Section 2

**Making Economic Decisions** **Ask:** What are the benefits and costs of choosing to play sports? (Benefits may include the ideas of physical activity and fitness; college athletic scholarships; high-paying professional sport careers; skill development in terms of teamwork and cooperation; personal development in terms of sense of sportsmanship and fair play; avoidance of boredom and



## BIG Ideas

### Section 1: How Economic Systems Work

**An economic system is the way a society organizes the production and consumption of goods and services.** Economics is the study of how we make decisions in a world in which resources are limited as well as the study of how things are made, bought, sold, and used.

### Section 2: Making Economic Decisions

**An economic system is the way a society organizes the production and consumption of goods and services.** Economic decision making requires us to understand all the different costs and all the benefits of a choice.

An abundance of Florida citrus products for sale in open-air markets

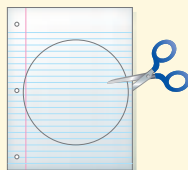
#### FOLDABLES™ Study Organizer

**Defining Study Foldable** Make the following Foldable to help you define the content vocabulary that you will encounter in this chapter.

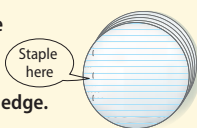
**Step 1** Stack four sheets of paper, one on top of the other. On the top sheet of paper, trace a large circle.



**Step 2** With the papers still stacked, cut along the circle line you traced.



**Step 3** Staple the paper circles together at one point around the edge.



#### Reading and Writing

As you read the chapter, record the content vocabulary terms with definitions for each section of Chapter 18 on the fronts and backs of the sheets of your booklet for easy reference.

**Step 4** Label the front circle Content Vocabulary.



#### FOLDABLES™ Study Organizer

#### Dinah Zike's Foldables

**Purpose** This Foldable guides the student to understand the content vocabulary associated with basic principles of economics. The completed Foldable will use a circle book of vocabulary definitions to help students understand what they are reading. **OL**

More Foldables activities for this chapter can be found in the *Dinah Zike's Reading and Study Skills Foldables* ancillary.

#### Civics ONLINE

Introduce students to chapter content and key terms by having them access the **Chapter Overview** at [glencoe.com](http://glencoe.com).

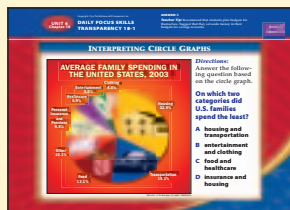
negative activities/practices such as substance abuse, gang activities, and criminal activities; and so on. Costs may include the ideas of injuries, overdeveloped sense of competitiveness or self-importance, financial burdens, loss of interest or attention to academic studies, and so on.) Tell students that in Section 2, they will learn how individuals and businesses can use cost-benefit analysis to make sound economic decisions. **OL**

# Focus



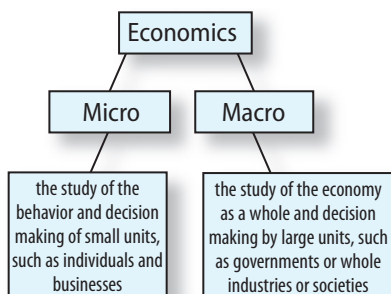
## Bellringer

Daily Focus Transparency 18-1



## Guide to Reading

Answers to Graphic:



## Section Spotlight Video

To learn more about how economic systems work, have students watch the Section Spotlight Video for this section.

## Resource Manager

## Guide to Reading

### Big Idea

An economic system is the way a society organizes the production and consumption of goods and services.

### Content Vocabulary

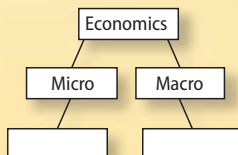
- need (p. 499)
- want (p. 499)
- economics (p. 499)
- microeconomics (p. 500)
- macroeconomics (p. 500)
- economic model (p. 500)
- economic system (p. 500)
- resource (p. 501)
- scarcity (p. 501)

### Academic Vocabulary

- rational (p. 499)
- capable (p. 501)
- generate (p. 502)

### Reading Strategy

**Comparing** As you read the section, compare the two ways of defining economics: microeconomics and macroeconomics.



# How Economic Systems Work

## Real World Economics

Have you ever gone to the grocery store and found the shelves empty? Sometimes natural disasters can cause huge economic problems from food shortages to the disruption of gas supplies. Hurricane Rita, on the heels of 2005's Hurricane Katrina, shook the economic roots of not only the South but the entire United States. Because Louisiana and Texas are producers of oil and gas, energy needs all across the nation were affected. Both national and state governments provided help in the form of emergency services, health care, information, and supplies.

▼ Scarcity of products determines purchase prices following a disaster



## R Reading Strategies

### Teacher Edition

- Act. Prior Know., pp. 499, 501
- Making Connections, p. 501

### Additional Resources

- Cont. Vocab., URB p. 21
- Ac. Vocab., URB p. 23
- Guid. Read., URB p. 39
- RENTG, p. 168

## C Critical Thinking

### Teacher Edition

- Drawing Con., p. 499
- Det. Cause/Effect, p. 501

### Additional Resources

- Econ. Act., URB p. 5
- Quizzes and Tests, p. 215

## D Differentiated Instruction

### Teacher Edition

- Logical/Math., p. 500

### Additional Resources

- Diff. Instr., URB p. 33
- School-to-Home Conn., URB p. 35

## W Writing Support

### Teacher Edition

- Persuasive Writing, p. 499

### Additional Resources

- Writing Skills Act., URB p. 27

## S Skill Practice

### Teacher Edition

- Categorizing, p. 500

### Additional Resources

- Daily Focus Trans., 18-1



# Teach

## W Writing Support

**Persuasive Writing** Have students write a letter to a parent, guardian, or teacher explaining that something the adult sees as the student's *want* is actually a *need*. Remind students to support their arguments with logical reasoning and facts.

OL

## C Critical Thinking

**Drawing Conclusions Ask:** What conclusion about scarce resources can be drawn from the idea that people must pay for them? (When a resource is scarce, it is more valuable.) BL

## R Reading Strategy

**Activating Prior Knowledge** Tell students that suppliers are also known as producers. **Ask:** What term is used to describe buyers, or product users, in an economic system? (consumers) AL

### Caption Answer:

Need are required for survival; wants are things we'd like to have.

## Differentiated Instruction

### Differentiated Instruction Strategies

**BL** Which position puts humans first? Which position puts other living things first?

**AL** Discuss the advantages and disadvantages of drilling for oil in this nation rather than importing oil.

**ELL** Discuss the value of wilderness areas to this nation or another nation you have experience with.



**Foreign-Made Products** Needs and wants are often satisfied by products made in other countries. These auto imports have just been unloaded at the port in Portland, Oregon. **Contrasting** What is the difference between an economic need and a want?

## Economic Choices

**Main Idea** Economics is the study of how we make decisions in a world in which resources are limited as well as the study of how things are made, bought, sold, and used.

**Economics & You** Have you ever found it difficult to tell the difference between something you wanted and something you needed? Read to find out how these two ideas influence the science of economics.

To be a well-informed citizen, it is important to have a good understanding of economics and the American economic system. Well-informed citizens do more than make choices in the voting booth. They also make rational, or reasonable, economic choices, and they make these choices every day. For example, imagine you have \$10 to spend on Saturday night. Do you rent a movie, go to a movie, order a pizza, go to a restaurant, buy snacks for a party, put gas in the car, or make any of a dozen other possible choices? You will quickly discover that your \$10 will not cover everything you might want to do. Therefore, you must choose.

## Needs and Wants

As individuals, we have many **needs** that are required for survival, such as food, clothing, and shelter. In addition, we also have an enormous number of **wants**, or things we would like to have, such as entertainment, vacations, and other items that make life more comfortable and enjoyable.

The choices we face, as individuals and as a society, are based on the fact that we do not have enough productive resources to satisfy all our wants and needs. Even a seemingly plentiful resource such as water is considered scarce because it is not free; we pay to use it.

## Economics: A Definition

**Economics** is the study of how we make decisions in a world in which resources are limited. The study of economics will help you think about the process of making decisions.

Economics is also the study of how things are made, bought, sold, and used. It helps answer questions such as these: Where do these products come from? Who makes them? How do they get to the stores? Who buys them? Why do people buy them?



Economics Activity 6, URB pp. 5–6

## Environment and the Economy

- Objective:** To understand economic choices
- Focus:** Discuss the uses of petroleum.
- Teach:** Have students locate each quote's claim(s). Discuss each claim's validity.
- Assess:** Have students summarize the problem and its solution.
- Close:** Debate the issue as a class. Then have students cast votes to express their opinions on the issue.



# American Biography

## John H. Johnson (1918–2005)

**John H. Johnson** began his career in 1942 at the age of 24. He used a \$500 loan on his mother's furniture to start *Negro Digest*, a magazine devoted to the accomplishments of African Americans. Today, Johnson Publishing Company, Inc., is the world's largest African American-owned publishing company. This media empire includes many magazines, such as *Ebony* and *Jet*, and Johnson Publishing Company Book Division.



Like many minority-owned companies, Johnson faced many hurdles: "[The difficulties include] trying to get circulation and to break through in advertising to get large companies to recognize that black consumers had money and would respond to advertising directed

to them. . . . The first 20 years or so in business, we couldn't get a bank loan."

Many start-up companies face the same hurdles, but in his autobiography, Johnson expressed a message of hope.

In 1995 Johnson received the Presidential Medal of Freedom, America's highest civilian honor, from former president Bill Clinton. Clinton said Johnson gave "African-Americans a voice and a face, in his words, 'a new sense of somebody-ness,' of who they were and what they could do, at a time when they were virtually invisible in mainstream American culture."

### Making a Difference



Johnson's businesses support all minorities. **Analyzing** What qualities did Johnson possess that made him a leader and a success in business?

## S Skill Practice

**Categorizing** Ask: Would global economic interdependence focus on micro- or macroeconomics? Why? (It would focus on macroeconomics, or the study of decision making by large units such as governments, whole industries, or societies.)

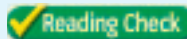
OL

## D Differentiated Instruction

**Logical/Mathematical** Profit is calculated by subtracting expenses from income. Write the following information on the board: DVD Production Costs: materials—\$2.13; labor—\$0.90; energy and equipment—\$0.37; advertising—\$0.03; packaging and shipping—\$0.07; DVD Income: \$7.00. Have students calculate the profit from the sale of one DVD. ELL

## American Biography

**Answer:** determination, creativity, industry knowledge, courage



**Reading Check** Answer: on the small picture, or decision making, of small units such as individuals

## Differentiated Instruction

**Micro and Macro** As you read, keep in mind that economics is divided into two branches. In **microeconomics**, economists look at the small picture. They study the behavior and decision making of small (the meaning of the prefix *micro-*) units such as individuals and businesses. Microeconomics helps explain how individual economic decisions are made. On the other hand, **macroeconomics** looks at the big (the meaning of the prefix *macro-*) picture. It deals with the economy as a whole and decision making by large units such as governments or whole industries or societies. Think of other terms you know that start with the prefixes *micro-* and *macro-*.

Micro- and macroeconomics are examples of economic models. An **economic model** is a theory that tries to explain human economic behavior.

## Economic Systems

Every country has its own **economic system**, or way of producing the things its people want and need. A country's economic system helps determine how basic economic decisions will be made. In the United States and many other countries, the economic system is called free enterprise capitalism. All free enterprise systems use more or less the same general methods of making economic decisions and producing things their people want and need. Under this system, businesses are allowed to compete for profit with a minimum of government interference. You will learn more about our economic system, along with other economic systems, later in this unit.



**Explaining** On what does microeconomics focus?

## Leveled Activities

### BL Content Vocabulary Activity 18, URB p. 21

### OL Critical Thinking Activity 18, URB pp. 29–30

### AL School-to-Home Activity 18, URB pp. 35–36

### ELL Guided Reading Activity 18–1, URB p. 39

## The Problem of Scarcity

**Main Idea** The limits on, or scarcity of, resources forces people to make careful economic choices.

**Economics & You** Have you ever wondered why we do not have more schools, parks, and highways? Read to find out why we have to make choices.

The goods and services a country can produce depend on its resources. **Resources** are the things used in making goods and providing services. They include tools; natural resources such as wood, soil, and water; and human resources—the people who provide the necessary labor, skills, and knowledge to produce the country’s goods and services.

A country with many resources is **capable**, or able, of satisfying its people’s wants and needs better than a country with few resources. A scarcity of resources affects the economic decisions a country and its people make. Scarcity affects decisions concerning what and how much to produce, how goods and services will be produced, and who will get what is produced.

### Scarcity and the Need to Choose

**Scarcity** occurs whenever we do not have enough resources to produce all the things we would like to have. The United States possesses abundant resources such as fertile soil, trained workers, forests, and water. No country, however, has all the resources it needs. Even a country as rich as the United States does not have enough productive resources to produce all the goods and services it needs.

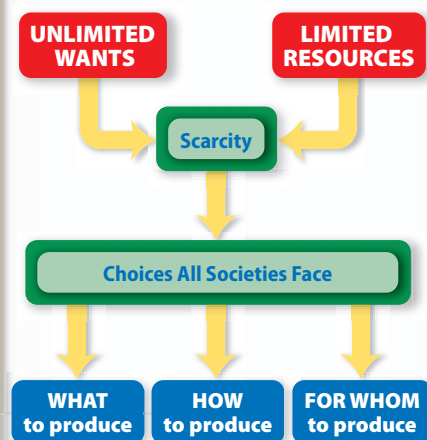
Scarcity is the result. Because of scarcity, we have to make choices among alternatives. For example, a rational consumer compares prices and makes choices based on his or her limited resources. A rational consumer asks whether or not he or she can afford to buy a small car or a big car, own a home or rent, purchase brand-name items or generic ones, and so on.

## What to Produce

One of the choices a society has to face is that of *what* to produce. As you have learned, we live in a world of scarcity. If more of one particular item is produced, then less of something else will be produced.

**A Variety of Options** For example, if resources are limited, we may have to choose between making weapons for defense or producing services for people who are retired or are too ill to work. Or we may have to choose between improving our roads or schools or even a nearby stadium for athletic events. Any civic leader in any community in the United States could extend this list almost indefinitely, given the wants and needs people have in their own communities.

### Choices All Societies Face



### Analyzing Charts

- Explaining** How are unlimited wants and limited resources related to scarcity?
- Identifying** In a world of scarcity, choices have to be made. What are the three basic economic questions?

## C Critical Thinking

### Determining Cause and Effect

**Ask:** How does its citizens’ level of education and training affect a country’s resources? (Workers with more knowledge and greater skills are able to contribute more to the work force, enabling a country to produce more goods and services.) **ELL**

## R<sub>1</sub> Reading Strategy

**Activating Prior Knowledge Ask:** In general, what is the difference in price between brand-name items and generic ones? Why? (Brand-name items are usually more expensive partly due to advertising costs.) **OL**

## R<sub>2</sub> Reading Strategy

**Making Connections Ask:** What economic choice has your school district made that affects your life as a student? (Answers may include that cocurricular and extracurricular programs have received less funding, that after-hour heating of school buildings has been cut.) **BL**

## Analyzing Charts

### Answers:

- Limited resources, or scarcity, cannot satisfy unlimited wants.
- What to produce? How to produce? For whom to produce?

## Hands-On Chapter Project Step 1

## Making Economic Trade-Offs

### Step 1: What’s Best for Our Community?

Student groups will analyze current economic issues in their community, identify trade-offs in proposed solutions, and offer alternative economic decisions.

**Directions** Bring issues highlighted in recent local newspapers to class. Divide students into groups. Ask groups to clip articles

that describe four economic issues currently affecting the local community. Have each group prepare a list of questions concerning one issue; be sure that groups do not select the same issue. Remind students that governments must consider costs, available resources, needs, and wants when making economic decisions.

**An Interview with Local Government** Invite the head of local government (city

mayor or manager, town or village president, county executive) to your classroom. In advance, provide the official with a list of the issues on which students will be asking questions. Students will use information received in Step 2. **OL**

(Project continued in Section 2.)

**✓ Reading Check** **Answer:** Scarcity forces suppliers and consumers to choose among alternatives and to arrive at affordable decisions.

## Assess



**Study Central™** provides summaries, interactive games, and online graphic organizers to help students review content.

## Close

**Differentiating** List the following items on the board: heat, cake, health care, shelter, computer, and pet. Have students work in pairs to analyze and differentiate the listed items between needs and wants, placing their findings in a two-column chart under the headings *Needs* and *Wants*. **ELL**

## Section 1 Review

### How to Produce

After deciding what to produce, a society must then decide *how* these goods and services will be produced. If we need more crude oil to satisfy our energy needs, should we allow drilling in an Alaskan wildlife sanctuary? Or should we restrict oil recovery to less fragile areas? How much pollution should we allow manufacturing firms to **generate**, or create? After all, businesses like to produce as cheaply as possible, and that sometimes means leaving waste behind that may pollute the environment. As you can see, every producer of a good or service faces the question of *how* to produce.

### For Whom to Produce

After goods and services are produced, a society must determine how the goods and services will be distributed among its mem-

bers. *Who* receives the new cars? *Who* benefits from a new school? Will anyone who is able and willing to pay the prices for the goods be able to obtain them, or will government decide who will have the goods?

As you will read, most goods and services in the United States are distributed to individuals and businesses through a price system. Other economies may distribute products through majority rule, a lottery, on a first-come-first-served basis, by sharing equally, by military force, and in a variety of other ways.

These questions concerning what, how, and for whom to produce are not easy for any society to answer. Nevertheless, as long as there are not enough resources to satisfy people's unlimited wants, they must be answered.

**✓ Reading Check** **Explaining** Why does scarcity lead to the need for making choices?

## Section 1 Review

### Vocabulary

- 1. Write** sentences using each of the following terms that will help explain its meaning: *need, want, economics, microeconomics, macroeconomics, economic model, economic system, resource, scarcity*.

### Main Ideas

- 2. Defining** What is the difference, in economic terms, between needs and wants? Give two examples of each.
- 3. Explain** why scarcity and choice are basic problems of economics.

### Critical Thinking

- 4. Evaluating** In what ways can the study of economics help you and your family in your daily lives?
- 5. BIG Ideas** On a graphic organizer like the one below, identify the three economic choices every society must make.



### CITIZENSHIP Activity

- 6. Analyzing** Interview a parent or adult about how the ideas in this section (needs, wants, and scarcity) influence his or her economic decision making. Share your findings in a short essay.
- 7. Creative Writing** Write a short story, poem, or song about one of the economic ideas discussed in this section. For example, you might write a humorous song about someone choosing between a need and a want. Share your writing with the class.



**Study Central™** To review this section, go to [glencoe.com](http://glencoe.com).

## Answers

- Sentences should use vocabulary words according to their definitions in the section and in the Glossary.
- Needs are items and services that are required for survival, while wants are things people desire. Examples will vary but should accurately reflect the definitions of *needs* and *wants*.
- Scarcity of resources requires producers and consumers to make choices in what, how,

and how many items will be provided or purchased. Scarcity forces both groups to consider alternatives before making choices.

- Answers may include that economics can help the student's family establish a workable budget that considers both income and expenses, wants and needs.
- what to produce; how to produce; for whom to produce

- Student essays will vary. Essays may include that parents must consider their incomes when deciding what they can afford to purchase and that parents must differentiate between their family's needs and wants to prioritize what they can afford to buy.
- Student responses will vary but should accurately reflect an economic idea discussed in this section.



## Guide to Reading

## Big Idea

An economic system is the way a society organizes the production and consumption of goods and services.

## Content Vocabulary

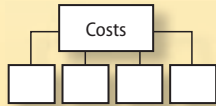
- trade-off (p. 504)
- opportunity cost (p. 505)
- marginal cost (p. 507)
- marginal benefit (p. 508)
- cost-benefit analysis (p. 508)

## Academic Vocabulary

- previous (p. 504)
- compute (p. 506)
- diminish (p. 509)

## Reading Strategy

**Identifying** As you read, identify the four types of costs and an example of each on a graphic organizer like the one below.



## Making Economic Decisions

**Real World Economics** Have you heard the saying “Necessity is the mother of invention”? As the supply of fuel for automobiles becomes more scarce and citizens become more concerned about global warming, the push for developing new energy sources becomes ever stronger. These Wisconsin high school students explored new ideas for fuel efficiency in a contest called the “High Mileage Vehicle Challenge” sponsored by the University of Wisconsin. The team of Eau Claire North High School electronics students competed with a car of their own design and achieved 1,610 miles (2,591 km) per gallon—which propelled them into first place.

▼ The North High School Hybrid Vehicle Team

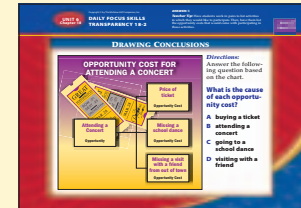


## Focus



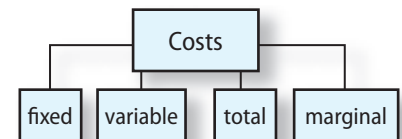
## Bellringer

## Daily Focus Transparency 18–2



## Guide to Reading

## Answers to Graphic:



## Section Spotlight Video

To learn more about making economic decisions, have students watch the Section Spotlight Video for this section.

## Resource Manager



## Reading Strategies

## Teacher Edition

- Making Connections, p. 505
- Using Word Parts, p. 506
- Act. Prior Know., pp. 507, 510

## Additional Resources

- Cont. Vocab., URB p. 21
- Ac. Vocab., URB p. 23



## Critical Thinking

## Teacher Edition

- Pred. Consequences, pp. 504, 506
- Compare/Contrast, p. 507
- Det. Cause/Effect, p. 508

## Additional Resources

- Biographies, URB p. 25
- Crit. Think., URB p. 29
- Quizzes and Tests, p. 216



## Differentiated Instruction

## Teacher Edition

- Visual/Spatial, p. 504
- Gifted and Talented, p. 507
- Logical/Math., p. 510

## Additional Resources

- Diff. Instr., URB p. 33
- Reteach. Act., URB p. 37



## Writing Support

## Teacher Edition

- Personal Writing, p. 508

## Additional Resources

- Authentic Assessment, p. 22



## Skill Practice

## Teacher Edition

- Inferring, p. 505
- Hypothesizing, pp. 506, 509

## Additional Resources

- Chart, Graph, and Map Skills, URB p. 31
- Daily Focus Trans. 18-2
- Pol. Cartoons Trans. 18

# Teach

## D Differentiated Instruction

**Visual/Spatial** Draw a word web on the board. In the center circle write “Scarcity of Fossil Fuels.” Draw four circles leading from the center circle and a circle from each of the four circles. Have students list in the inner circles four alternative choices to fuel scarcity. In the outer circles have students write a cost of each choice. **OL**

## C Critical Thinking

**Predicting Consequences** Ask: **What is a potential, negative consequence of each choice?** (Answers may include: sleeping—poor test grade; partying—poor test grade, overtired; studying—overtired; endangered friendships.) **OL**

### Caption Answer:

In trade-offs, people exchange one good, service, or opportunity for another. With an after-school job, trade-offs to increased income may be the inability to be with friends.

## Differentiated Instruction

## Trade-Offs

**Main Idea** Economic decision making requires us to understand all the costs and all the benefits of a choice.

**Economics & You** Have you ever had to choose one thing instead of another? Read to find out what economists call this common dilemma.

**E**conomic decision making is surprisingly simple. It involves only a few terms and rules. In fact, you probably already think about many problems in the same way that economists do. As you learned **previously**, or earlier, scarcity forces people to make choices about how they will use their resources. Economic decision making requires that we take into account all the costs and all the benefits of an action.

## Making Trade-Offs

The economic choices people make involve exchanging one good or service for another. If you choose to buy a DVD player, you are exchanging your money for the right to own the DVD player rather than something else that might cost the same amount. A **trade-off** is the alternative you face if you decide to do one thing rather than another.

It is important to remember that a trade-off does not apply only to decisions involving money. Here is an example: Suppose you have an economics test tomorrow. Your friends invite you to a party at their house. Total time at the party and traveling to and from your house is four hours. You calculate you need at least three hours to study for the test. You also need to sleep eight hours that night. How do you make trade-offs with your time—what do you give up—studying time, time with friends, or sleep?

**Part-Time Jobs** Many young people need to have jobs after school so they have some money with which to make economic choices. **Explaining** Why is a type of economic choice called a trade-off?



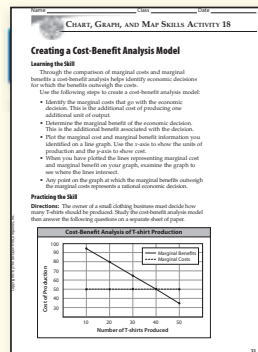
504

## Creating a Cost-Benefit Analysis Model

- Objective:** To understand a cost-benefit analysis
- Focus:** Review the definitions of key terms in this activity.
- Teach:** Explain the marginal costs/benefits of cheap items when many are produced.
- Assess:** Have students define the term “marginal cost/benefit.”
- Close:** Discuss why families might analyze the costs-benefits of their financial decisions.

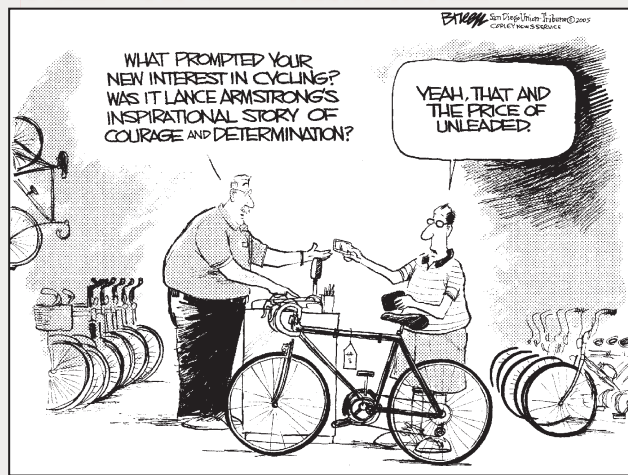
## Differentiated Instruction Strategies

- BL** What do the numbers on the y-axis show? What do the numbers on the x-axis show?
- AL** Think of an economic decision your family might make. Create a cost-benefit analysis graph to help your family make the decision.
- ELL** The graphs in this activity are models. Explain what they represent.



Chart, Graph, and Map Act. 18, URB pp. 31–32





Steve Breen/Copley News Service

The creator of this cartoon, Steve Breen, is making a statement on consumers' decisions regarding methods of transportation.

1. What is the setting for this cartoon?
2. What "new interest" is the man on the right pursuing?
3. What is the primary factor that prompted this interest?
4. Do you think there might be benefits to society if people drive less and cycle more? Explain.

## S Skill Practice

**Inferring Ask:** Why might a post-high school education be a wise economic choice? (Often, jobs requiring post-high school education or training pay better wages than others.) **ELL**

## R Reading Strategy

**Making Connections Ask:** What opportunity costs are linked to participation in after-school activities? (Answers may include reduced time for homework and friends, financial burdens, fatigue, and inability to get a part-time job.) **BL**

Think about a trade-off on a larger scale. A country wants to put more money into education. This strategy may be a good one, but putting more money into education means having less money available for space exploration or national defense. Individuals, families, businesses, and societies make trade-offs every time they choose to use their resources in one way and not in another.

## Opportunity Cost

Suppose you decide to go to college after you graduate from high school. If you do, you will quickly discover that the cost of college is more than the cost of books, transportation, tuition, and other fees. One of the biggest costs is the full-time income that you will not be able to earn because of the time you will spend studying and going to classes.

Economists have a term for this broad measure of cost. **Opportunity cost** is the

cost of the next best use of your time or money when you choose to do one thing rather than another.

People tend to think of *cost* only in terms of dollars and cents. Note that opportunity cost includes more than just money. It also involves all the possible discomforts and inconveniences linked to the choice. The opportunity cost of cleaning the house, for example, is not just the price of cleaning products. It also includes the time you could spend doing other things, such as listening to music or visiting with your friends.

A good way to think about opportunity cost is to realize that when you make a trade-off, you lose. What do you lose? You lose the ability to engage in your next highest valued alternative. In economics, therefore, opportunity cost is always an opportunity that is given up.

**Reading Check Explaining** What does making a trade-off require you to do?

### Answers:

1. a bicycle shop
2. cycling
3. high gas prices
4. Answers may include fewer and less serious traffic accidents, less air and noise pollution, and a more physically fit population.

**Reading Check Answer:** pay an opportunity cost

## Activity: Collaborative Learning

**Understanding the Decision-Making Process** Have students form groups for this activity. Ask groups to identify a situation in which an economic decision must be made by a group, such as a family, government, school, or society. Be sure that groups do not duplicate issues. Ask each group to write

and perform a skit in which a group of people uses cost-benefit analysis to examine possible choices of action and to arrive at a rational economic decision. Remind students that people often disagree on economic decisions based on their individual needs and wants. **OL**

## Additional Support

### Teacher Tip

When implementing a collaborative learning activity, be sure that the activity is level-appropriate, clearly explained, and allows all group members to play an active role. Consider letting students choose their partners or groups.



## C Critical Thinking

**Predicting Consequences** **Ask:** What are the consequences of producing too few products? Too many? (Answers may include that too few products will not produce enough income for the manufacturer and that consumer demand will not be met, while too many products will exceed consumer demand, and products will sit on the store shelves or drive prices down.) **BL**

## S Skill Practice

**Hypothesizing** **Ask:** How might a company reduce its fixed costs? (Answers may include the ideas of downsizing the store building, renegotiating mortgage rates, or relocating to a community with lower property taxes.) **OL**

## R Reading Strategy

**Using Word Parts** **Ask:** How does the base word of “variable” help you understand its meaning? (The word “vary” means to change. Variable costs change with the number of items produced.) **ELL**

### Caption Answer:

Farmland is a fixed cost, while equipment and fuel are variable costs because they change depending on the amount of crops that are planted and harvested.

## Differentiated Instruction



**Costs** Businesses, such as this farm, incur both fixed costs and variable costs. **Describing** Is the farmland used for crops a fixed or a variable cost? How about equipment such as tractors, combines, and plows? Is the fuel to operate the machinery a fixed or a variable cost?

## Costs and Revenues

**Main Idea** Economists have developed ways of measuring different types of costs and revenues.

**Economics & You** Have you wondered why goods from places like China usually cost less than goods made in the United States? Read to discover why this is so.

## Types of Costs

All businesses have costs, but not all costs are the same type. Anyone in business must understand several different ways of computing, or figuring, cost.

**Fixed Costs** The first kind of cost is fixed costs—costs, or expenses, that are the same no matter how many units of a good are produced. Mortgage payments and property taxes are two examples of fixed costs. It makes no difference whether your company produces one bicycle helmet or a very large number. Your fixed costs, such as your mortgage and property taxes, remain the same.

**Variable Costs** Another kind of cost is variable costs. Variable costs are expenses that change with the number of items produced. Wages and raw materials are examples of variable costs.

**S**uppose you are in the business of producing bicycle helmets. Do you know how many helmets you would produce? Would it be 100, 500, or 10,000? You may have a feeling that you should not produce too few or too many, but how would you know what were too few and what were too many? To begin to answer these questions, we need to look more closely at costs and revenues.

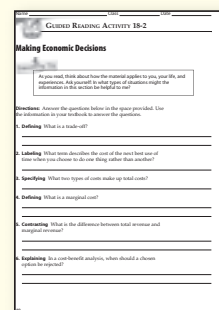
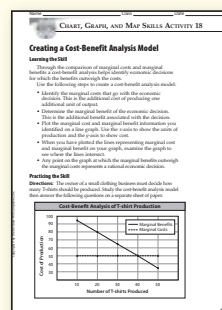
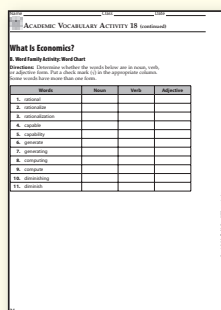
## Leveled Activities

**BL** Academic Vocabulary Activity 18, URB p. 24

**OL** Differentiated Instruction Activity 18, URB pp. 33–34

**AL** Chart, Graph, and Map Activity 18, URB pp. 31–32

**ELL** Guided Reading Activity 18–2, URB p. 40



Variable costs increase as production grows. Conversely, these expenses will decrease when production decreases. For example, the more helmets you make, the more plastic you must buy.

**Total Costs** When we add fixed costs to variable costs, we arrive at total costs. Suppose you want to compute total costs for a month. If fixed costs are \$1,000 for the month and variable costs are \$500, then total costs are \$1,500 for the month. Many businesses focus on average total cost. To arrive at average total cost, simply divide the total cost by the quantity produced. For example, if the total cost of making bicycle helmets is \$1,500 and the company produces 50, then average total cost is \$30 ( $\$1,500/50 = \$30$ ).

**Marginal Costs** One final cost concept remains—**marginal cost**. Marginal cost is the additional cost of producing one additional unit of output. Suppose total cost is \$1,500 to produce 30 bicycle helmets and \$1,550 to produce 31 helmets. What is the marginal cost of the additional (31st) unit? The change in total cost is \$50 and the change in the number of units is 1, so the marginal cost is \$50.

## Types of Revenue

Businesses use two key measures of revenue to decide what amount of output will produce the greatest profits. The first is total revenue, and the second is marginal revenue.

Total revenue is the number of units sold multiplied by the average price per unit. If 42 units of a product are sold at \$2 each, the total revenue is \$84.

When a business is thinking about a change in output, it considers how its revenue will change as a result of that change in output. What will be the additional revenue from selling another unit of output? Marginal revenue is the change in total revenue—the extra revenue—that results from selling one more unit of output.

## TIME Teens in Action

### Jessica Painter

Jessica Painter, 18, of Yucaipa, California, shares her coupon-clipping know-how with people in need.

**QUESTION:** How did you become a “coupon queen”?

**ANSWER:** When my mom was out of work and pregnant with me, stretching cash with coupons was a necessity. Stores nearby doubled the value of coupons, and Mom matched coupons with their weekly sales, and items became free or almost free. **Q:** How did this lead to your group Food For Love? **A:** Growing up, we had more than we could use. We’d donate the extra items to other needy individuals and families. This was the start of the food program. When I was seven, my mom became ill and couldn’t do a lot of things that she needed to do to continue with the program. I didn’t want to let the people who depended on us down. I helped with shopping, sorting, and deliveries. I became a community leader and a “coupon queen” to help carry on Food For Love.

**Q:** What would you tell other teens interested in helping out?

**A:** Action volunteering is about changing the way people live. I’m hoping to help young people see they can make a difference at any age. Passing volunteerism on to future generations is the goal of my Web Site [www.actionvolunteering.com](http://www.actionvolunteering.com).

#### ACTION FACT:

Painter and her family go to animal shelters and cheer up the animals. At one time the family had nine cats!



Delivering goods to a food bank

#### Making a Difference

#### CITIZENSHIP

Why is volunteer work an important part of Jessica’s life?

## C Critical Thinking

**Comparing and Contrasting Ask:** How do the variable costs of a large manufacturer compare to those of a small one? (Because variable costs increase as production grows a large manufacturer’s variable costs will be greater.) **BL**

## D Differentiated Instruction

**Gifted/Talented Ask:** Suppose increased production requires workers to put in overtime hours. How will this affect a company’s marginal costs? (Because workers are paid more when they work overtime, the labor costs of producing additional products will drive up marginal costs.) **AL**

## R Reading Strategy

**Activating Prior Knowledge Ask:** How do weekly sales affect the prices of products? (Sale prices are lower than regular prices.) **ELL**

## TIME Teens in Action

#### Answer:

Because Jessica and her family had experienced financial difficulties, she wanted to share solutions with others.

## Additional Support

## Activity: Economic Connection

**Lessons from the Lives of American Entrepreneurs** Provide students with biographies of Madame C.J. Walker, James Cash Penney, and other American entrepreneurs. Ask students to work with a partner to read one of the biographies and identify economic decisions that served as turning

points in the lives of the American businessperson. Have student partners write an interview that may have taken place between their entrepreneur and a reporter from a magazine or newspaper of the time. Explain that the interviews should allow the entrepreneur to “talk about” his or her per-

sonal background, experiences, financial challenges, economic philosophy, and attitudes toward financial success. Ask students to share their interviews with the class. As a class, discuss common traits that successful entrepreneurs possess. **OL**



## C Critical Thinking

**Determining Cause and Effect** **Ask:** Why do marginal revenues decrease as more units are sold? (At some point, most consumers will have purchased the items; demand drops, sales drop, and marginal revenues drop.) **AL**

## W Writing Support

**Personal Writing** Have students write a journal entry in which they explain a personal economic decision they later reversed because marginal costs grew too high. Suggested decisions are building a collection, taking private lessons, and participating in outside activities. **OL**

### Analyzing Graphs

**Answers:** The farmer should plant only 15 acres because, after that point, marginal costs exceed marginal benefits.

### Civics ONLINE

Objectives and answers to the **Student Web Activity** can be found at [glencoe.com](http://glencoe.com) under the Web Activity Lesson Plan for this chapter.

## Hands-On Chapter Project Step 2

## Making Economic Trade-Offs

**Step 2: Determining Alternative Economic Choices** Student groups continue to analyze current local economic issues, identify trade-offs, and to offer alternatives.

**Directions** Have student groups write one trade-off for each solution proposed either in the newspaper articles or the interview. Ask them to brainstorm economic choices

## Measuring Revenue

On page 507, you learned that total revenue is defined as the price of a good multiplied by the quantity sold. For example, if the price of a book at your local bookstore is \$5 and 100 are sold, then total revenue is \$500. Consider another example:

- MRT is a retail store that sells DVDs for a price of \$10 each.
- MRT currently sells 100 DVDs a month.
- This means that MRT's total revenue is \$1,000.

If MRT sells one more DVD for \$10, what is the change in total revenue that results from the change in output sold?

To answer this question, we first calculate what the total revenue is when MRT sells 101 DVDs instead of 100: it is \$1,010. We conclude that the total revenue changes from \$1,000 to \$1,010 when an additional DVD is

sold. In other words, there is a change in total revenue of \$10.

The change in total revenue that results from selling an additional DVD is marginal revenue. In the example, \$10 is the marginal revenue. If the company sells 2 additional DVDs, the marginal revenue is \$20.

This situation provides an example in which marginal revenue is constant (marginal revenue = \$10 per DVD sold). This will not always be the case. Businesses often find that marginal revenues start high and then decrease as more and more units are produced and sold.

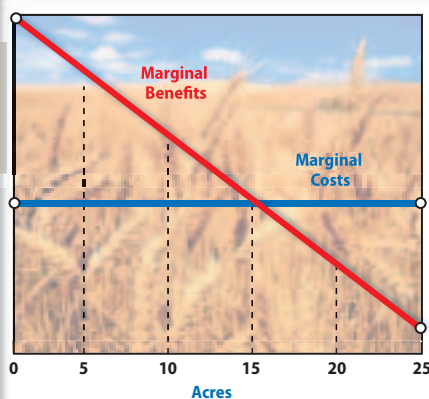
**Marginal Benefit** Finally, we usually do something because we expect to achieve some benefit. In other words, we are concerned with the **marginal benefit**, the additional satisfaction or benefit received when one more unit is produced.

## Cost-Benefit Analysis

Oftentimes, the best decision is made by comparing the *marginal* benefits against the *marginal* costs. To do so, economists use a type of decision making called **cost-benefit analysis**. Rational economic decision making tells us to choose an action when the benefits are greater than the costs. If the costs outweigh the benefits, we should reject the chosen option.

**Using Cost-Benefit Analysis** The graph on this page shows a sample cost-benefit analysis. Suppose you are a farmer trying to decide how much of your 25 acres to plant with wheat. Assume that the marginal (or extra) cost of planting and harvesting the wheat is the same for all 25 acres. As a result, the line showing marginal cost would be a horizontal line.

### Cost-Benefit Analysis



### Analyzing Graphs

**Calculating** As long as the marginal benefit of farming more acres exceeds the marginal cost, the farmer is better off farming more acres. At what point should the farmer stop farming more acres?

### Civics ONLINE

**Student Web Activity** Visit [glencoe.com](http://glencoe.com) and complete the Chapter 18 Web Activity.

that may prove more effective in satisfying the wants and needs.

**Presenting an Alternative Economic Choice** Have groups use computer presentation programs to present their alternative economic choices. Presentations should include an explanation of the issue, presentation of proposed solutions together with their trade-offs, and the group's recommended economic choice. **OL**

(Project continued on the Visual Summary page.)





**Diminishing Marginal Benefit** Assume, though, that some of your land is better than the rest. As a result, the size of the harvest you can expect from each acre goes down as the number of acres increases. After all, you would plant the most fertile land first.

As more land is planted, you must use land that is less productive. As the graph on page 508 shows, the line representing marginal benefit would be downward-sloping, indicating **diminishing**, or declining, marginal benefits.

**How Much Should You Plant?** The information in the graph makes it easy to decide how much land you should plant. Clearly, you should plant the first 5 acres, because the marginal cost is low when compared to the marginal benefits to be gained. It would also be beneficial to plant 10 acres, even though the benefits are a bit lower. In fact, it would make sense to plant up to 15 acres, because to that point the marginal

benefit is greater than the marginal cost. You would not, however, want to plant more than 15 acres. After 15 acres, the extra cost is greater than the extra benefit.

**Answering the Basic Questions** The previous example represents how to use cost-benefit analysis to answer the question of how much to produce. This is an issue all businesses must deal with—not just farmers. The same method can be used to answer other basic economic questions.

For instance, you can also use this method to decide *for whom* to produce. Think of the costs and benefits of selling your wheat in a town that is close to your farm, compared to selling it in a town 100 miles away. Shipping the wheat farther will probably cost more than trucking it locally, so that makes the marginal benefit of selling it nearby greater.

**Reading Check** **Explaining** What economic model helps answer the question of *what* to produce?

## S Skill Practice

**Hypothesizing Ask:** What economic factor might change a grower's mind about selling crops locally? (Answers may include low local demand for wheat and low wheat prices as well as less expensive methods of transporting wheat.) **OL**

**Reading Check** **Answer:** cost-benefit analysis

## Assess



**Study Central™** provides summaries, interactive games, and online graphic organizers to help students review content.

## Close

**Applying** Organize students into groups. Have groups use cost-benefit analysis to analyze an economic decision teens face, such as choosing a college or university, buying a clothing item, or saving for a game system or car. Students should use a T-chart to display the costs and benefits. **OL**

## Section Review 2

### Vocabulary

- Write** sentences that demonstrate the meanings of *trade-off*, *opportunity cost*, *marginal cost*, *marginal benefit*, *cost-benefit analysis*.

### Main Ideas

- Explaining** Give two examples of an economic trade-off decision.
- Explaining** What is the purpose of cost-benefit analysis?

### Critical Thinking

- Describe** the relationship between trade-offs and opportunity costs.
- BIG Ideas** Identify a large purchase you would like to make. What opportunity costs can you identify if you go ahead with the choice? What is your final decision, based on analyzing the opportunity costs? Illustrate your decision on a grid like the one below.

Choice	Opportunity Cost	Final Decision

### Writing

- Expository Writing** Because your time is limited, you are constantly facing trade-offs. Write a paragraph or two about the trade-offs you have made in choosing how to use your time during a one-week period. What activities did you choose to do? What were the opportunity costs involved in your choices?



**Study Central™** To review this section, go to [glencoe.com](http://glencoe.com).

## Section 2 Review

## Answers

- Sentences should use vocabulary words according to their definitions in the section and in the Glossary.
- Answers will vary but should describe two trade-off examples, such as buying a computer for schoolwork rather than a used car for recreational use, volunteering for a community organization rather than working at a part-time job, renting DVDs rather than watching movies at theaters, and so on.
- Cost-benefit analysis helps producers determine how much and for whom to produce, as well as answer other economic questions.
- In a trade-off, an individual or business makes an economic decision in which there is both benefit or satisfaction as well as drawback or opportunity cost.
- Answers will vary, but should identify possible opportunity costs of student purchases.
- Essays will vary but should describe logical trade-offs teens experience over the period of a week, as well as the opportunity costs involved in their decisions.

**R** Reading Strategy

**Activating Prior Knowledge Ask:** From your understanding of compound words, how can you infer that compound interest involves added interest?

(In a compound word, one word is combined with another. Similarly, compound interest combines interest calculated on both principal and interest.) **AL**

**D** Differentiated Instruction

**Logical/Mathematical** Have students work in pairs to calculate the account balance after five years with both interest payment methods. **Ask:** Why might people with small account balances may be less likely to notice the difference between the two methods than those with large account balances? (Interest received will be similar.) **OL**



## Analyzing Economics

**Answers:**

1. \$354
2. Banks use deposited monies to fund long-term loans, such as home mortgages and business loans. Deposited funds that are committed for long periods of time help banks set profitable loan rates.

## Additional Support



## Simple and Compound Interest

When you deposit money in a savings account, the bank pays you interest for the use of your money. The amount of interest is expressed as a percentage, such as 6 percent, for a time period, such as a year. One type of interest is simple interest. **Simple interest** is figured on only the principal, or original deposit, not on any interest earned. **Compound interest** is paid on the principal plus any interest that has been earned. In other words, you are earning interest on interest. Over time, there is a significant difference in earnings between simple and compound interest.

**Calculating Simple Interest**

6% = .06

$$\begin{array}{r} \$100 \\ \times .06 \\ \hline \$6.00 \end{array}$$

**1** You deposit \$100 in a savings account that earns 6 percent simple interest per year. Convert 6 percent to a decimal.

$$\begin{array}{r} \$100 \\ + 6 \\ + 6 \\ + 6 \\ \hline \$118 \end{array}$$

**2** To calculate the simple interest earned, multiply the principal by the interest rate.

**3** Calculate the account balance for the first three years at 6 percent interest. The simple interest due at the end of three years on a principal of \$100 at a 6% annual interest rate is \$118.

	Simple Interest	Compound Interest
Principal	\$1,000	\$1,000
Account Balance After One Year	1,100	1,100
Account Balance After Two Years	1,200	1,210 (\$1,100 plus 10% of \$1,100)
Account Balance After Three Years	1,300	1,331 (\$1,210 plus 10% of \$1,210)



## Analyzing Economics

1. **Calculating** How much interest would you earn if you deposited \$300 at 6 percent simple interest for three years?
2. **Concluding** Banks often pay higher rates of interest on money you agree to keep in the bank for longer periods of time. Explain why this might be.

## Activity: U.S./World Connections

**Resource Comparison** Have students work with a partner to compare the resources of the United States to those of two economically developing countries. Explain that a developing country is defined as one in which the average income of its citizens is low. Remind students that resources are the things used in making goods and providing services and include tools (natural resources) and the labor, skills and knowledge of a

country's people. Student partners should display their findings in a chart. Column headings should reflect the names of the three countries. Row heads should list the individual resource being compared. Have partners write a brief paragraph explaining a way in which the three countries could help each other through shared resources. **OL**



Crowded college campus

### Economics

Economics is the study of how we make decisions in a world in which resources are limited.

Microeconomics deals with decision making by small units such as individuals and firms.

Macroeconomics deals with the economy as a whole and decision making by large units such as government.

Assembly-line worker in Taiwan



### Making Economic Decisions

Individuals satisfy their unlimited wants in a world of limited resources by making choices.

The need to make choices arises because of scarcity, the basic problem in economics.

Every society must answer the three basic economic questions:

- What to produce
- How to produce
- For whom to produce

Individuals are forced to make trade-offs every time they use their resources in one way and not in another.

The cost of making a trade-off is known as opportunity cost—the value of the next best alternative that has to be given up to do the action that is chosen.



Shoppers look for bargains

### Costs and Revenue

Four important measures of cost are total cost, fixed cost, variable cost, and marginal cost.

A key measure of revenue is marginal revenue, which is the change in total revenue when one more unit of output is sold.

### Economic Systems

Every type of economic system must answer the three basic economic questions.

The United States has a free enterprise, or capitalist, economic system.

**Visual Literacy Ask:** Why is the use of assembly lines a wise economic decision? (By assigning workers only one step of a process, production time is reduced, which, in turn, reduces production costs.) **OL**

**Interpersonal** Divide the class into groups. List controversial school economic decisions on the board, such as charging user fees to cover the cost of music and athletic programs, charging groups for the use of school facilities for dances and other social events, and increasing school lunch fees. Have groups list the reasons for and benefits and drawbacks of each decision. Ask groups to tally how members feel about the decision. As groups report their tallies, record them on the board. Discuss why individuals may disagree on economic choices made by entities such as school boards or governments. **OL**

**Assessing Ask:** For whom would manufacturers most often produce convenience foods, personal planners, and cell phones? (busy working people) Have students work in pairs to design an ad for another product that would appeal to a busy working person. Ask groups to share their ads with the class. **OL**



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## Making Economic Trade-Offs

**Step 3: Assessing Economic Decisions** Students will finish the process they started in Step 1.

**Directions** As the class views the computer presentations, ask them to jot down questions and comments about the proposed economic decision. Allow class time

for students to direct questions to the presenting group. Provide students with an evaluation form in which they assess each proposed economic choice. The form should have headings such as *Issue*, *Proposed Decision*, *Trade-Offs*, *Agree/Disagree*, and *Reason*. Include columns to allow for student writing. **OL**

## Hands-On Chapter Project Step 3: Wrap-Up



## Answers and Analyses

### Reviewing Vocabulary

**1. D** Students will have read about the concept of scarcity, in which limited resources force people to make economic choices.

**2. C** Although all terms relate to economics, only capitalism is an economic system, or way of producing things people want and need. In Section 2, students will have read about the economic model of cost-benefit analysis. Throughout the chapter, students will have analyzed economic decisions, or choices, made as a result of scarcity of resources. Economics itself is a branch of social sciences; capitalism is not a branch of economics.

**3. B** While both answers A and B include the idea of loss when making an economic decision, students can use the keyword “opportunity” to choose the correct answer. An opportunity is an available chance or option. An opportunity cost is, therefore, a missed or lost opportunity because another alternative was selected. A trade-off displays the exchange between the benefit of a decision and the drawback, or opportunity cost. Marginal cost and marginal benefit are the features compared during the process of cost-benefit analysis.

**4. D** Although both answers, C and D, include the idea of changing production quantities, students can focus on the question’s keyword “profit” to select marginal benefit as the correct answer. Neither trade-off nor opportunity cost refers to changing production quantities.

### Reviewing Main Ideas

**5. C** The prefix “micro-” prompts students to locate the answer that refers to the smallest entity, individuals. Keywords in the remaining answer choices signal large groups or entities—industries, worldwide, governments.

**6. B** Students will have studied the difference between needs, or things needed for survival, and wants, or things that make life more enjoyable. By asking, *Which is not needed for survival?* students can eliminate the incorrect answers—food, shelter, and clothing.

### TEST-TAKING TIP

When you come across an unfamiliar word in an exam, look at the word’s parts—root, prefix, and/or suffix—to figure out its meaning.

### Reviewing Vocabulary

*Directions: Choose the word(s) that best completes the sentence.*

- Economics is the study of how we make decisions in a world of limited \_\_\_\_\_.  
**A** needs                      **C** choices  
**B** wants                      **D** resources
- Capitalism is an example of a(n) \_\_\_\_\_.  
**A** economic model      **C** economic system  
**B** economic decision    **D** branch of economics
- The income from a full time job that you give up when you go to college is called a(n) \_\_\_\_\_.  
**A** trade-off                  **C** marginal cost  
**B** opportunity cost      **D** marginal benefit
- The additional profit obtained from producing one more unit in a factory is called a(n) \_\_\_\_\_.  
**A** trade-off                  **C** marginal cost  
**B** opportunity cost      **D** marginal benefit

### Reviewing Main Ideas

*Directions: Choose the best answer for each question.*

#### Section 1 (pp. 498–502)

- What does microeconomics deal with?  
**A** the production of whole industries  
**B** the distribution of goods worldwide  
**C** the economic decisions of individuals  
**D** the allocation of resources by governments
- Which of the following items is a want?  
**A** food  
**B** videos  
**C** shelter  
**D** clothing

- Which of the following is a natural resource?

**A** water  
**B** skills  
**C** machinery  
**D** knowledge

#### Section 2 (pp. 503–509)

- What is an example of a fixed cost of doing business?  
**A** wages  
**B** cost of fuel  
**C** price of materials  
**D** mortgage payment
- What is the formula for total costs?  
**A** fixed costs + variable costs  
**B** fixed costs + marginal costs  
**C** variable costs + marginal costs  
**D** fixed costs + variable costs + marginal costs
- Why do businesses use cost-benefit analysis?  
**A** to compute total costs  
**B** to measure total revenues  
**C** to decide how much to produce  
**D** to compare marginal cost and marginal revenue

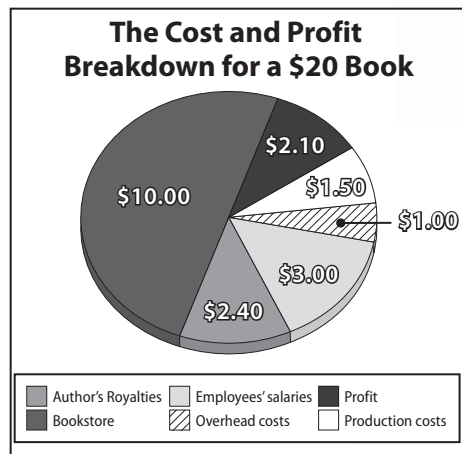
**GO ON** 

**7. A** Students will have recognized that all answers are resources, or businesses, used to produce goods and services. However, the keyword “natural” suggests that the correct answer exists in nature, or A, “water.” Skills and knowledge are acquired by people through experience, education, and training. Machinery is built by people with skills and knowledge.

**8. D** Students will have studied the difference between fixed, or unchanging, costs and variable, or changing, costs. By relating the answer choices to personal experiences and prior knowledge, students will realize that wages change over time, as does the cost of fuel and the price of materials. Students who recognize that a mortgage payment is usually fixed for the term of the loan will select the correct answer.

## Critical Thinking

Directions: Base your answers to questions 11 and 12 on the pie graph below and your knowledge of Chapter 18.



11. The publisher is thinking about printing one thousand more books but would have to hire another employee to do so. What would help her decide?
  - A tabulating the fixed and variable costs of new books
  - B comparing her marginal benefit to her marginal cost
  - C determining the marginal revenue for one more book
  - D calculating the total revenue from the sale of new books
12. What fixed cost paid by the bookstore owner comes in part from his share of the book's price?
  - A property tax payment
  - B the author's royalties
  - C wages for store clerks
  - D profit for the storeowner

## Document-Based Questions

Directions: Analyze the document and answer the short-answer questions that follow.

In the following passage, historian Howard Zinn comments on the capitalist system in modern society.

*The economist Milton Friedman . . . insists that in a capitalist system like the United States "the market" sees to it that people are paid "in accordance with product," in other words, according to how much they produce. He seems to be living in a world of his own creation, far removed from this one. In his world, everything works beautifully by the laws of the market, and people get more if they produce more, less if they produce less.*

*But how do you measure this thing called product and decide who deserves more or less? Here is the executive whose corporation produces nuclear bombs or deodorants or plastic toys. Did he himself produce it or did thousands of workers produce it? How can you measure his contribution to the final product? Indeed, in our complex modern society, where things are produced by the participation of huge numbers of individuals, how can you measure the contribution of each one to the product?*

—Howard Zinn

13. What is Zinn's opinion of capitalism according to Friedman?
14. What economic question from the chapter sums up the main idea of the second paragraph?

## Extended-Response Question

15. Compare and contrast microeconomics and macroeconomics.

STOP

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For additional test practice, use Self-Check Quizzes—Chapter 18 on [glencoe.com](http://glencoe.com).

### Need Extra Help?

If you missed question...	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Go to page...	499	500	505	508	500	499	501	506	507	508	507	506	500	500	500

Chapter 18 513

## STANDARDIZED TEST PRACTICE

Determining only the marginal revenue for one more book, Answer C, does not account for the marginal cost of an additional employee. Only answer B considers both marginal benefit and marginal cost.

**12. A** Prior knowledge will help students to realize that royalties are paid by publishers, not bookstore owners. Personal experience will help students eliminate D, as profit is net income, not a cost or expense. Students can also eliminate C by recognizing that employee wages change with time and experience. Only property taxes represent a yearly fixed cost.

## Document-Based Questions

**13.** Zinn feels Friedman's concept of capitalism is unrealistic ("seems to be living in a world of his own creation, far removed from this one"). He suggests that it is impossible to measure product, decide how product should be apportioned, and assign each individual's contribution to a product.

**14.** Who makes products?

## Extended Response

**15.** Responses should include the ideas that microeconomics is the study of the behavior and decision making of small units, such as individuals and business; macroeconomics deals with the economy as a whole and decision making by large units, such as governments, large industries, or societies.

**9. A** Students can eliminate answers B, C, and D when they recognize that marginal costs occur only when production quantities change. Students who understand the concept of fixed and variable costs recognize that the two categories cover all types of costs associated with doing business.

**10. C** Students will recognize that both total costs and total revenues must be known before cost-benefit analysis can occur, which helps students eliminate

answer choices A and B. They will also identify D as a description of the process of cost-benefit analysis, not its application. Only C describes an application of cost-benefit analysis.

## Critical Thinking

**11. B** The keyword "marginal" in answers B and C both describe increased production, while answers A and D make no mention of production quantities. The question's situation involves an additional 1,000 new books and the hiring of an additional employee.

**CivicsONLINE**

Have students visit the Web site at [glencoe.com](http://glencoe.com) to review Chapter 18 and take the **Self-Check Quiz**.

### Need Extra Help?

Have students refer to the pages listed if they miss any of the questions.